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Nation's
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The Weekly Newspaper of the Food-Service Industry

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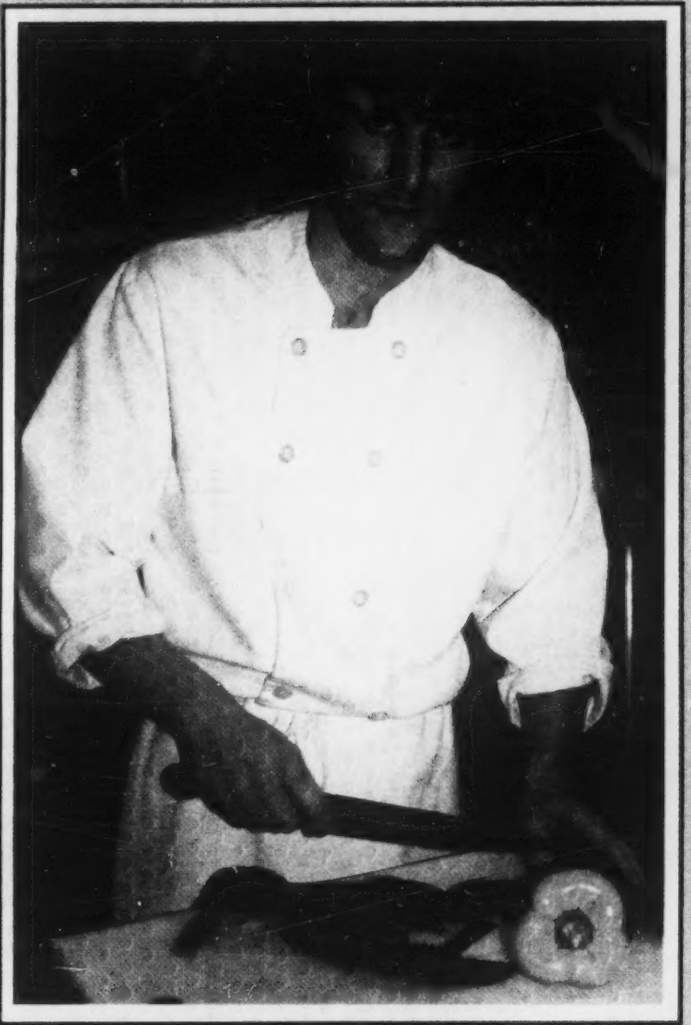

NRN Photo

Charlie Trotter, chef and co-owner.

Trotter's: Reins in diners, not profits

By Carolyn Walkup

CHICAGO — A $1.5 million attempt to capture the grandeur of Europe's top restaurants is garnering crowds for 27-year-old Charlie Trotter and his meticulously designed namesake restaurant here.

Nevertheless, profits are proving elusive at the six-month-old restaurant. Trotter has reluctantly raised menu prices because of high food and labor costs, both of which still exceed 40 percent.

"We're still not making any money," he said, even though check averages now are close to $50.

Nevertheless, reservations for 66-seat Charlie Trotter's are filled six weeks ahead for Saturday nights and three weeks ahead for Wednesdays through Fridays—an unusually long lead time for this market.

The response has surprised even Trotter, the boyish chef and co-owner who had the good fortune to open the enterprise with his father's financial backing. The combination of Trotter's cooking and aesthethic instincts and his father's busineas acumen is proving harmonious.

The restaurant is in a converted two-story brownstone in a gentrified neighborhood just west of Halsted Street's Restaurant Row. Guests enter through a small wine bar and waiting area dominated by a half-story wine library.

Meticulous attention to detail is evident everywhere, from the burgundy Viennese print upholstery on the dining room's black lacquer chairs to the custom-glazed china, silver, and

*(See **TROTTER'S**, page 76)*

NRA fights payroll tip tax

Seeks to return burden to workers

By Charles Bernstein

PALM DESERT, Calif. — The National Restaurant Association board unanimously voted here last month to seek redress from the new Social Security tax on employee tips through legislation for a 100-percent tip credit on the minimum wage.

The proposal would ease the burden on food-service employers by shifting the liability for paying Social Security taxes back to the employees.

Immediately upon returning to staff headquarters in Washington, D.C., an NRA delegation, led by government relations director Richard Crawford, went to Capitol Hill in search of a congressional sponsor for such legislation.

The NRA board's action at Marriott's Desert Springs Resort here followed a government relations committee meeting in which members decided to press for the complete tip credit rather than seek repeal of the legislation. De-

*(See **NRA**, page 4)*

NRA seeks rebound
In call for action, Grisanti assails industry 'apathy.'
Page 4

Chi-Chi's rolls 3 new concepts

Sparks turnaround hopes while takeover bid studied

By Rick Van Warner

LOUISVILLE, Ky. — While management mulls over an unsolicited $9-per-share takeover offer, Chi-Chi's Inc. is forging ahead with three new concepts.

News Analysis

In the latest phase of a turnaround attempt, Chi-Chi's, owner of the 133-unit Mexican dinner house chain, recently launched G.W. Sharkey's oyster bar and grill, Papanada's Border Cafe, and Chajita's Mexican quick-serve restaurant.

The new weapons are designed to bolster the company's presence in current Chi-Chi's markets, provide a more appealing and cost-effective vehicle for penetrating new ones, and serve as the means for reentering areas where the Chi-Chi's concept bombed.

The Chi-Chi's concept has suffered in past years from a sharp decline in liquor sales and an inconsistency in food quality and service that flattened customer traffic. The decline made the company vulnerable to a takeover attempt.

Meanwhile, Chi-Chi's board was hedging on its plans regarding the Washington, D.C.-based Carlyle Group's bid to take the company private for $9 per share, or $185 million to $190 million in the aggregate.

Carlyle extended the deadline for the merger

*(See **CHI-CHI'S**, page 76)*

Food-service industry faces AIDS problems

By Deane Evans

WASHINGTON — The growing incidence of AIDS in the workplace is triggering short- and long-term problems for the food-service industry even though the disease cannot be transmitted through food or casual contact.

Speakers at a one-day seminar, "AIDS in the Workplace," sponsored by the National-American Wholesale Grocers' Association, warned industries involved in food handling to expect several problems from AIDS, including higher health benefits costs, possible discrimination suits, and even business failure resulting from public "hysteria."

Federal food safety officials stressed that food "cannot be contaminated with the AIDS virus" and said there has not been a single incident of transmission of AIDS via food handling.

Nevertheless, a "very real problem" faces employers, particularly food-service operators, because of employee

*(See **AIDS**, page 4)*

COPING WITH AIDS
A checklist for employers

- **Case management services.** Reduce expenses by coordinating and overseeing management of the health-care plan.
- **Alternative care systems.** Provide less costly outpatient and home health care and assistance with daily chores. Another option: Hospice care.
- **Eligibility provisions.** Opt for health-care plans that limit care for pre-existing conditions.

Source: David Garratt, vice president, Johnson & Higgins Health Group

FOOD WATCH

Kiwis flavor Chicago

CHICAGO — Windy City menus will grow a little more fruitful during February as members of Chicago's Fine Dining Association feature an imaginative variety of dishes highlighting kiwifruit.

Restaurant Suntory will be serving a dish called kiwi-maki, a sushi roll of vinegared rice, dried shredded fish, avocado, cucumber, sesame seeds, and kiwifruit. For the salad course, L'Escargot created a lobster salad with kiwi vinaigrette, presented as a whole lobster composed of alternating sliced kiwi halves and lobster meat.

Grilled duck breast with kiwi butter sauce is the invention of Benchers Fish House. Shredded chicken with kiwi, a stir-fried entrée at the House of Hunan, is accented with country ham, ginger, and bean sprouts.

Recognizing the dessert category as a natural for their key ingredient, several places are highlighting the kiwi's sweetness. Kiwi Luciens at Nick's Fishmarket is a creamy confection topped with a glaze of kiwifruit and orange liqueur. Don Roth's River Plaza adds a New Orleans twist with its kiwi beignets with raspberry sauce. **—Carolyn Walkup**

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Ready-to-Eat: Specialty shops	Feb. 22

NEWS DIGEST

Chiat and Gehry team up with Baum and Whiteman

LOS ANGELES — Jay Chiat, chairman of the Chiat/Day advertising agency, and Frank Gehry, an architect here, are teaming up with Joe Baum/Michael Whiteman Co., the renowned local restaurant operator, to open a chain of California sandwich shops called Sandwiches.

The plan calls for Chiat to market, promote, and advertise the concept; Gehry, to design a prototype; and Baum/Whiteman, to create the menu.

Pappas family leases space for 3rd Brisket House

HOUSTON, Texas — The Pappas family, operators of Pappasitos and several other well-known dining places here, has leased a 5,000-square-foot space for a new Pappas Brisket House restaurant.

The clan currently operates two of the moderately priced Brisket restaurants.

The new site is in the Retail Center on Bissonett Drive.

Piccadilly gets good results from breakfast service tests

BATON ROUGE, La. — Piccadilly, the 117-unit cafeteria chain, is testing breakfast service at two units in its headquarters city here.

Preliminary results have been "extremely favorable," Rodney Garrison, executive vice president and chief financial officer, told Dow Jones.

Analysts said the chain plans to expand the test soon to units in Florida.

Former Godfather's chief to head Popeye's franchisee

ORLANDO, Fla. — Henry "Pete" Pettis, a former president and chief executive of Godfather's Pizza, has assumed the presidency and chief operating officer posts at Florida Food Industries, a 50-unit Popeyes franchisee here.

He succeeds L. David Horner, who moves up to chairman and chief executive.

Pettis was president of Godfather's when Pillsbury acquired the fast feeder in 1985. At the time the then-900-unit chain was teetering on the brink of bankruptcy. Pettis was succeeded by Herman Cain, who still holds the presidency.

Pettis has also served as vice president of Wendy's international operations and as general manger of the Rustler steak house chain, which was absorbed into Sizzler.

Campbell Soup negotiating sale of Pietro's pizza chain

CAMDEN, N.J. — Campbell Soup Co. is negotiating to sell its 65-unit Pietro's pizza parlour chain to an unnamed group of investors, Pietro's officials confirmed.

Campbell's acquired Lynwood, Wash.-based Pietro's years ago as part of the a multi-concept foray into the restaurant business. Campbell officials have said the company wants to divest itself of all restaurant holdings so that it can concentrate on its primary business, food processing.

Holiday Corp. files charter for elderly health-care firm

MEMPHIS, Tenn. — Holiday Corp., the world's largest innkeeper, has filed for a charter of incorporation for a new concern called Holiday Inn Adult Care, which would provide health services to the elderly.

Holiday is the latest of a slew of hospitality chains that eye the so-called continuing-care market, a currently lackluster industry that is expected to blossom as the baby boom generation ages.

Among others, Marriott Corp., Hyatt Hotels, and TW Services, parent of Denny's and Canteen Corp., have all ventured into the continuing-care market in recent years.

Storm ravages Southern Calif. coastal restaurants

LOS ANGELES — Scores of oceanfront restaurants were destroyed or damaged by a violent storm that battered the Southern California coast with 25-foot waves, causing an estimated $68 million in damages.

Food stands, cafes, and upscale dinner houses on and near the Redondo Beach pier near Los Angeles were among the establishments hardest hit along the 250-mile stretch of coastline from Santa Barbara, Calif., to Ensenada, Mexico.

The churning seas ripped away six guest rooms from the Portofino Inn in Redondo Beach. Nearby, diners fled from gale-driven surf as it demolished walls, broke windows, and undermined foundations at the Reuben's, Chart House, Cattlemen's Steak House, and Blue Moon Saloon restaurants. The furnishings of some of the places were washed out to sea.

Breakers washed away a 200-foot length of the Huntington Beach pier, including The End Cafe. Patrons, surprised in the middle of Sunday-night dinners, ran from swank restaurants in Malibu and Laguna Beach as dining rooms flooded with sand and surf propelled by winds that raged up to 50 miles per hour.

—Richard Martin

Neeb joins Dunham to form Pizzeria Uno franchise

Neeb

DALLAS — Lou Neeb, the former head of Burger King, Steak and Ale, and Taco Villa, has joined with local developer William Dunham to form a Pizzeria Uno franchise here.

The licensee, Southwest Uno's Inc., said it planned to develop 12 Pizzeria Uno restaurant-bars in parts of Texas and New Mexico.

Neeb, most recently president of the Taco Villa fast-food Mexican chain, is also a principal owner of GC-DFW, which agreed last year to develop and operate franchised Golden Corral steak houses in the Dallas area.

Neeb served as president of Steak and Ale and has held the position of chief executive officer of Burger King.

Perry Butler regains control of Perry's in stock buyback

SAN FRANCISCO — Perry Butler, who last year sold the controlling interest in his flagship Perry's, a popular pub here modeled after New York neighborhood saloons, has regained ownership of that property.

Butler said the 1987 deal, which transferred 57- percent interest in the San Francisco restaurant to three employees, had provisions permitting him to repurchase the stock should certain conditions arise. Though he declined to elaborate on what those conditions were, he acknowledged, "They arose, and I jumped at the chance to buy back the stock."

Perry's, which does about $2.5 million in annual sales, is known for its burgers and brunches. In addition to the 19-year-old Union Street business, Butler owns two Mill Valley restaurants: Perry's II and Butler's.

Officials give Straw Hat go-ahead to franchise

DUBLIN, Calif. — State officials have granted Straw Hat Cooperative Corp., a group of ex-Straw Hat Pizza franchisees, permission to renew licensing the Straw Hat concept.

The 78-unit cooperative was formed when Marriott sold half the 198-unit Straw Hat Pizza chain to Pizza Hut early last year. It could not offer "memberships," or franchises, for several months while state officials reviewed its application for registration as a franchisor.

NRA seeks tip-tax solution

(Continued from page 1)
bate centered on which approach would be more practical and likely to achieve results.

Earlier, NRA 1987-88 president Michael J. Grisanti lambasted the industry for apathy and called for an intensified grass-roots campaign "to finally win the crucial 1988 legislative battles."

Grisanti warned of skyrocketing costs inherent in legislative measures that "could put a lot of restaurants out of business."

The NRA's legislative proposal is aimed at undermining a new tax levy contained in a compromise deficit-cutting measure that was signed into law in late December. It has been estimated that the new Social Security levy would raise $200 million this year, mainly from restaurant employers.

Based on the resolution adopted here, NRA efforts will center on amending the Fair Labor Standards Act to raise the current 40-percent allowable tip credit to 100 percent. The tip credit was reduced to 40 percent from 50 percent several years ago.

Under the new law, in effect since Jan. 1, employers must pay Social Security, or FICA, taxes on the full amount of employees' gratuity income. Under earlier rules, employers were liable for only the amount of the minimum wage, now $3.35 per hour.

Under the NRA's proposal, tip income would be completely excluded from an employer's tax liability.

A tip credit is the allowance made in the wage laws in order to count tip income as part of the minimum wage. A 40-percent tip credit allows a restaurant employer to pay a minimum wage of $2.01 per hour and to assume that employees earn another $1.34 per hour in tips, to reach the $3.35 minimum.

"Passage of a 100-percent tip credit is essential now," declared government affairs committee chairman Richard Marriott. "We cannot accept taxes on both wages and tips."

NRA sources indicated there would be no compromise or fallback position from the push for a 100-percent tip credit.

Bringing the Reagan administration to task, the board's measure declares that "whereas Congress during the past decade has introduced and passed legislation which treats tips as wages and, as a consequence, levies taxes on those wages payable by both employee and employer, be it resolved that the NRA seek the introduction of legislation to increase the tip credit to 100 percent.

"Further, that the association work on this effort with allied organizations to make our elected officials aware of other previous actions and the effect of such legislation on the food-service industry."

Harris "Bud" Rusitzky, NRA treasurer, emphasized afterward that "the idea is to put Congress on notice that these things will not be tolerated in 1988, a major election year. We are fully prepared to tell senators and representatives that if they won't support measures favorable to the industry, we'll give our money, support, and votes to other candidates."

"Let's face it," an NRA spokesman asserted. "The Reagan administration has been steadily eroding the viability of the food-service industry and taxing us to death."

The industry has suffered legislative setbacks starting with the 1983 requirement that employers have to report tips totaling at least 8 percent of gross sales to the Internal Revenue Service or else break out the individual tips of each employee.

The 80-percent business meal tax deduction limitation was passed in late 1986, followed by an immigration bill making employers responsible for hiring "illegal aliens" and the recent New Year's Eve "surprise" passage of the FICA tax on tips—a measure "hidden" in a deficit reduction bill.

On the other hand, a top NRA government relations source pointed out privately, "a victory or defeat is in the mind. Perhaps the industry should realize that the 80-percent rule instead of a possible 50-percent and the long delay in minimum-wage legislation with prospects for only moderate increases are in many ways a victory."

Grisanti assails 'apathy'

PALM DESERT, Calif. — Two days before the final NRA board open vote on key resolutions at Marriott's Desert Springs Resort, NRA president Michael J. Grisanti renewed a long-standing call for an intense grass-roots "key contacts" program throughout the country whereby restaurateurs and chain leaders would play a stronger role in legislative struggles.

"We fought a long battle against FICA taxes on tips," Grisanti said. "But the reality finally came home that this industry is apathetic about taking the time and effort to fight these crucial battles. We didn't lose this battle. Our industry did."

Grisanti urged all board and NRA members "to think and talk to each other about these issues and how we can win."

"We have lost a few battles and won some," he asserted, "but the really crucial struggles are coming this year. We need to dramatically change our industry's apathetic stance."

He listed the minimum wage, mandated health benefits, and family and medical-leave proposals as prime issues.

—Charles Bernstein

AIDS in the workplace

(Continued from page 1)
and consumer reaction to rumors—even if untrue—of the presence of an AIDS-carrying worker in a restaurant.

At the NAWGA seminar, for example, former restaurateurs Lawrence and Seija Doolittle told the group they were forced to close their 150-seat Maryland restaurant less than a month after rumors surfaced that their maître d'-bartender had AIDS.

"A restaurant owner will be dead before he knows it," said Lawrence Doolittle. "Once the rumor becomes public, it's too late for the owner to do anything."

The Doolittle incident involved Seija's Place on Park Circle, a Hagerstown, Md., seafood restaurant, launched in July 1987. According to the former owners, a disgruntled fellow employee instigated the untrue AIDS allegation, causing sales to drop $2,000 a day during a three-week period.

The bartender said he'd been tested twice and was AIDS-free, Seija Doolittle recounted.

The employee offered to resign, but the Doolittles refused "as a matter of principle . . . because he was the best-qualified person for that position."

In October the Doolittles closed the restaurant, losing more than $100,000.

According to them, other restaurant owners in the western Maryland town as well as those in the National Restaurant Association, took the position that the restaurant had failed because of "bad management" rather than because of the AIDS rumor.

The Doolittles saw no solution to the threat to restaurants posed by AIDS hysteria, but other speakers at the conference were more optimistic.

"Our first priority is to educate our own work force and then the consumer," said Lester M. Crawford, an administrator with the Department of Agriculture's Food Safety and Inspection Service.

'Our first priority is to educate our own work force and then the consumer,' said Lester M. Crawford of the Department of Agriculture.

The service joined Peter Fischinger, AIDS coordinator of the Public Health Service, in calling on industry to "reduce potential hysteria by educating employers and employees," making it clear to them that the disease cannot be transmitted via handling food.

As a first step in the massive job of education facing the food industry, NAWGA announced that the association is preparing a set of training materials for employers that will include both video and printed matter.

The guides will be available later this year, according to John Block, president of NAWGA, who said the group proposes to help the industry "know how to deal with a sensitive and serious subject."

At the same time, other conference speakers warned that negative employee and public reactions to the epidemic are not the only AIDS-inspired problems facing employers. According to David Garratt, Johnson & Higgins Health Group vice president, benefits costs across the board are already on the rise and are expected to continue to increase.

After surveying 101 companies around the United States, forecasters at the Washington, D.C., health-care consulting group projected that by 1990 AIDS would raise costs for life insurance by 7 percent, disability coverage by 8.8 percent, sick pay by 6.6 percent, and health-care insurance by 16.2 percent.

To cope with the new costs, Garratt suggested some areas for employers to investigate:

- Case management services. Employers might reduce expenses by "coordinating and overseeing" management of the health-care plan.
- Alternative care systems. AIDS victims may not require constant hospital care. Employers might be able to provide less costly outpatient and home health care and assistance with daily chores. Hospice care is another option.
- Eligibility provisions. Employers might opt for health-care plans that limit care for pre-existing conditions.
- Local resources. Employers should consider reimbursement plans for "cost effective" services offered by volunteer groups.

Garratt also recommended employers "evaluate the adequacy of their present insurance situations," including a review of pooling levels and assessment of self-insurance plans.

Garratt and labor attorneys representing both unions and management stressed that benefits provided for employees with other communicable diseases must also be provided for AIDS patients. In addition, they said, benefits required for AIDS care must be available to workers with other communicable diseases.

In addition, AIDS-infected employees are protected under the "handicapped" antidiscrimination provisions of the Federal Rehabilitation Act as well as under many state and local laws.

According to Peter Susser, labor attorney for NAWGA, the courts have made it clear that it is discriminatory to fire or refuse to hire an AIDS carrier who is "otherwise qualified" to do the work.

Recent court decisions "go even further to tie the employer's hands," he said, citing the fact that they block the transfer of AIDS-infected workers to a non-food-handling position.

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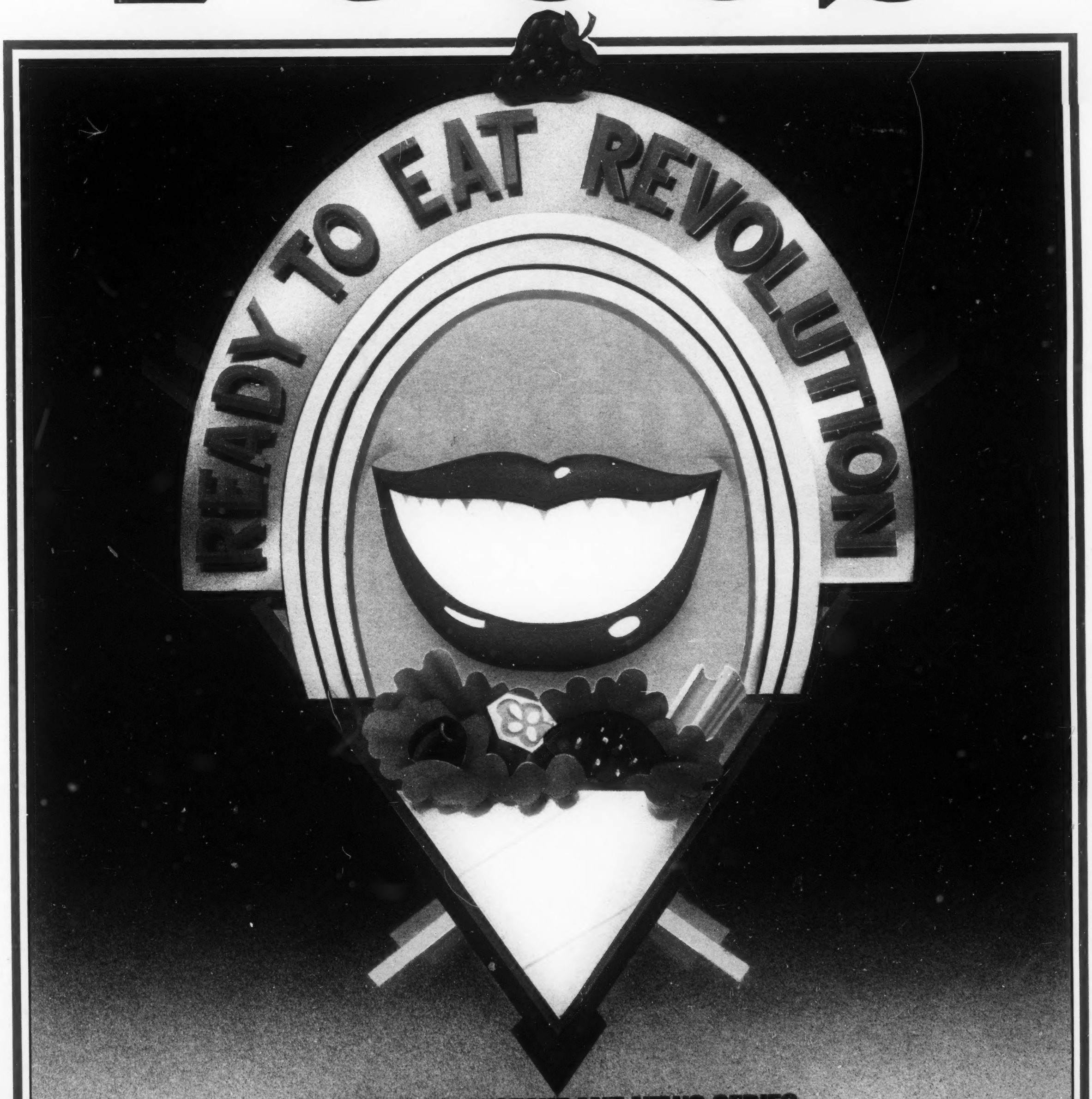

A NATION'S RESTAURANT NEWS SERIES

With neither time nor energy to cook at home, Americans are staging a revolution in eating out. And takeout restaurants, supermarket delis, convenience stores, and gourmet shops are cashing in. **By Marilyn Alva**

This Week: Part 1, The Ready to Eat Revolution / ***Feb. 8: Part 2, Supermarkets*** / ***Feb. 15: Part 3, Convenience Stores*** / ***Feb. 22: Part 4, Specialty Gourmet Food Shops***